United Nations DP/2004/10

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.: General
30 December 2003

Original: English

First regular session 2004
23 to 30 January 2004, New York
Item 7 of the provisional agenda
Recommendations of the Board of Auditors

UNOPS: Follow-up to the report on the implementation of recommendations of the Board of Auditors for the biennium 2001-2002*

Report of the Executive Director

Summary

The present report provides the status of the follow-up by UNOPS to the report on the implementation by UNOPS of recommendations of the Board of Auditors, 2001-2002 contained in document DP/2002/CRP.13 presented to the Executive Board at its annual session 2002.

The Executive Board may wish to take note of the present report and the annex.

Introduction

1. The present report is submitted pursuant to Executive Board decision 97/23 of 18 September 1997, in which the Executive Board requested the Executive Director of the United Nations Office for Project Services (UNOPS) to provide an updated overview of the implementation of the recommendations of the Board of Auditors at its first regular session of the following year. Reports have thereafter been submitted on an annual basis.

2. The status of the implementation of the recommendations of the Board of Auditors is contained in the annex to the present report.

* The latest MCC meeting dedicated to the final consideration of UNOPS reports to be submitted to the Executive Board was held on 9 December 2003.

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Annex. Recommendations under implementation

Recommendation in paragraphs 11(c) and 26

(a) Continue to review its medium-term strategy in a comprehensive manner, including such elements as an analysis of the variables related to business from UNDP with a view to aligning its project delivery approach; and (b) embark on a strategy to diversify further its client base within the United Nations system.

3. UNOPS has undertaken a reform process that included the establishment, on 16 October 2003, of a strategic advisory team (SAT) for business acquisition. The objectives of the SAT are to:

(a) Clarify the process, roles and responsibilities for how client accounts are managed to ensure a coordinated marketing and business development.

(b) Begin to clarify selling roles and responsibilities as input to the restructuring effort.

(c) Develop a pipeline management process to ensure a regular review of client opportunities and actions to secure plans.

(d) Develop an account planning framework for pursuing opportunities with major clients and to support the annual client account planning process.

(e) Identify knowledge management and HR implications, if applicable, for new pricing procedures.

(f) Develop and roll out training material for the business development approach and planning framework.

4. Based on the SAT recommendations, a proactive portfolio development strategy will be implemented in 2004. In addition, a senior-level working group has been formed with UNDP to ensure that UNOPS service offerings are aligned with evolving UNDP requirements, and discussions are under way with a number of United Nations organizations to develop further opportunities for UNOPS services.

Recommendation in paragraphs 11(d) and 32

Evaluate the basis and calculation of the cost of services to ensure that all costs are identified and recovered and that the piloted system addresses all the shortcomings identified in the project management office workload system.

5. UNOPS has undertaken a reform process that included the establishment, on 3 October 2003, of a SAT for pricing. The objectives of the SAT are to:

(a) Develop the capability and processes to allow UNOPS to estimate gross profit or loss for every project based on contractual income and planned effort required.

(b) Develop a transparent pricing system based on cost of delivery, effort required, and an appropriate margin.

(c) Calculate a daily proxy charge rate by duty-station/region for all levels that includes contractual and all overhead costs.

(d) Coordinate with the ERP team to leverage potential ERP technology solutions.

(e) Identify knowledge management, training, and HR implications if applicable for new pricing procedures.

(f) Develop recommendations for continuously improving pricing and transparency of pricing.

6. A new service pricing methodology, based on the SAT recommendations and including time reporting and a standard service rating system will be introduced in 2004.

Recommendation in paragraphs 11 (e) and 53

Review in conjunction with the United Nations and its funds, programmes and specialized agencies, the funding mechanism and targets for end-of-service benefits. The Board considers that UNOPS may need to expedite its consideration of funding the end-of-service liabilities given the unique funding principles of UNOPS.

7. UNOPS is in the process of implementing the recommendation and, together with UNDP and UNFPA, has retained the services of an expert to better define UNOPS liability. A proposed course of action, which includes funding a special reserve where funds are available, is expected in 2004.

Recommendation in paragraph 51

(a) Compute the full costs incurred in respect of services to the International Fund for Agricultural Development (IFAD) to determine the feasibility of this service line; and (b) disclose the full IFAD costs in schedule 2 to the financial statements.

8. UNOPS identified the need to increase the fees charged to IFAD following the results of a detailed review of its cost of services for the IFAD programme to

determine whether its costs continue to be fully covered by the management fees received. Discussions continue with IFAD senior management over the need to increase the fees.

Recommendation in paragraph 92

(a) Compile a short- and long-term ICT strategic plan for the deployment of ICT, which should be updated on a continuous basis; and (b) develop formally documented and approved procedures or guidelines on aspects such as security, disaster-recovery planning, backups and system development.

9. UNOPS implementation of the PeopleSoft ERP system and the outsourcing of its production environment will address many issues in the report, including firewall, router and server administration, disaster recovery plan, the role of an information security officer, and the electronic communications policy. Due to the aggressive implementation schedule of ERP, UNOPS is not in a position to comply with all the recommendations immediately. The first review of ICT policy will be undertaken following the implementation of Wave 1 in January 2004, the second will be undertaken following the implementation of Wave 2 during 2005, and any pending issues not addressed in Waves 1 and 2 will be reviewed by the end of 2005.